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DIRECTORATE OF
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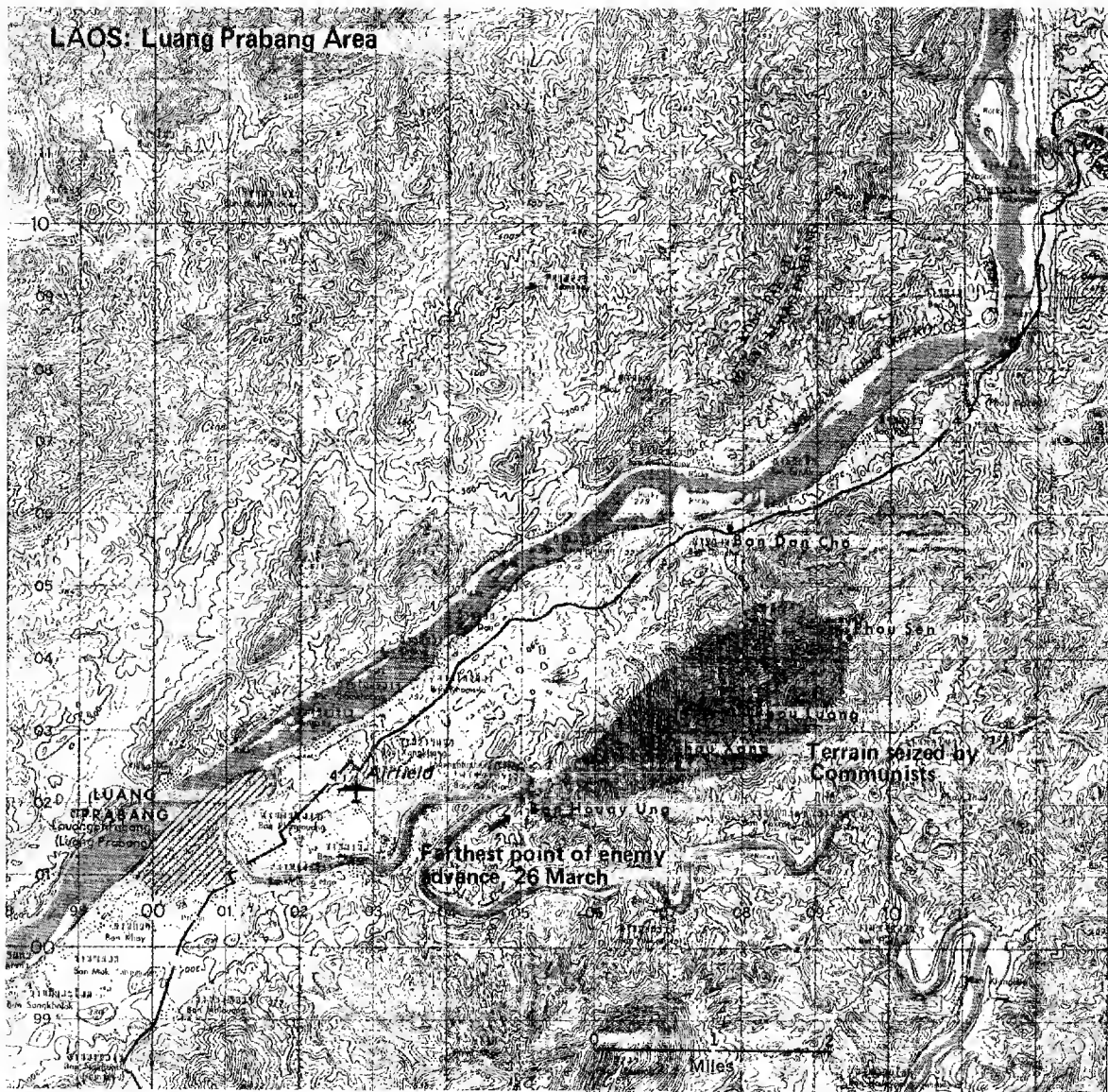
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LAOS: North Vietnamese forces have moved into the high ground immediately east of Luang Prabang.

In a series of coordinated attacks beginning at sundown on 25 March, Communist units advanced on a two-mile front through the rugged terrain overlooking the Luang Prabang airfield. By the morning of the 26th, the North Vietnamese had occupied a position about one mile east of the runway, and three battalions of government troops had withdrawn to the flatlands near the Mekong River. From the ground the Communists now hold they are in a position to close the field with periodic mortar and artillery fire.

In Vientiane, Pathet Lao representative Soth Pethrasy told reporters on 26 March that the attacks were intended to enforce the neutrality of the Laotian capital and were a "warning to the Americans and the Laotian rightists not to use the airfield as a military base." The government uses Luang Prabang as a base for a small force of T-28 attack aircraft and AC-47 gunships.

Soth's tough statement is consistent with a new letter from Pathet Lao chief Souphanouvong which Prime Minister Souvanna Phouma received on 23 March. The Communist leader reportedly posed hard new conditions for the initiation of peace talks, including the cessation of bombing in Xieng Khouang Province and the withdrawal of all Thai troops and American "advisers."

The Communists had demanded a similar bombing halt last year, but in their efforts to get talks under way had subsequently called for a stand-down only in the Plaine des Jarres area--the agreed venue until Souvanna proposed Luang Prabang. King Savang believes the Communist attacks in the Luang Prabang area are intended as a rejection of Souvanna's proposal.

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Three additional irregular battalions had arrived in Luang Prabang from other military regions as of 25 March, with another three expected in the near future.

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PAKISTAN: The army's ability to re-establish central government authority in East Pakistan remains in doubt.

According to [] East Pakistani broadcasts, paramilitary forces and troops from the army's East Bengal Regiment have surrounded West Pakistani forces in most garrison towns. The Indian press reports that East Pakistanis have seized the government radio station in Chittagong, the province's major port. There is no confirmation of these claims.

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Reports from the US Consulate-General indicate that Dacca, the provincial capital, is under army control and relatively calm, despite scattered shooting and an enormous fire which burned through the night in the Old City.

The current round of the dispute between East and West Pakistan began Thursday when West Pakistani troops moved to seize control in Dacca and presumably other areas. The action was quickly followed by a series of orders which, if implemented, would put the central government firmly in control of the province. For the past three weeks, East Pakistanis have generally ignored central authorities, and Mujibur Rahman has been de facto ruler of the province.

Yesterday, in a radiobroadcast, President Yahya Khan tried to justify the military intervention as necessary to preserve the nation's unity. He accused Mujib of treason and banned his party. According to Yahya, in the recent series of meetings to resolve differences over the projected constitution, Mujib had insisted on a program that would have resulted in chaos, and Yahya could not allow "some power hungry and unpatriotic people" to destroy Pakistan.

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[The clandestine radio claims that Mujib has
proclaimed East Pakistan independent as the People's
Republic of Bangla Desh (the Bengali Nation).

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SOUTH VIETNAM: President Thieu may be considering Prime Minister Khiem as his running mate in the presidential election next fall.



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The choice of Khiem over Ky as Thieu's running mate would carry with it, of course, the risk that Ky will run for the presidency, drawing support away from Thieu. Ky could become an important factor in the equation, because Thieu's election is by no means regarded as a sure thing, and any diversion of votes from Thieu would be of great help to Big Minh.

There has been some speculation among South Vietnamese political observers that Thieu would eventually opt to keep Ky, despite the intermittent friction between them, in order to keep the support of Ky's remaining followers, especially in the military.

Khiem has some stature in his own right, particularly in military and government circles, but he is unlikely to broaden the base of support for Thieu's

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ticket, for example, among Buddhists and junior officers, as much as a number of other possible vice-presidential candidates. An offer from Thieu, therefore, would probably reflect his desire to have a vice president whom he can regard as a helpmate rather than a major nuisance, as he regards Ky.



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CZECHOSLOVAKIA: Yesterday's conviction of former General Vaclav Prchlik, a prominent official of Dubcek's administration, for anti-Soviet statements in 1968 could have serious implications for moderate party chief Husak's future.

Prchlik was sentenced to three years imprisonment, reportedly for publicly criticizing in July 1968 the domineering way the Soviets ran the Warsaw Pact. At that time, the Dubcek government was trying to dislodge from Czech territory Soviet troops who were ostensibly there for maneuvers. Party chief Husak, who was himself imprisoned during the 1950s on charges of "nationalism", has insisted that Dubcek's supporters should not suffer retribution in the form of political trials for their activities during the "Prague spring." Up to now, he had been successful, and the only trials he has allowed were of people conducting antiregime activities in 1969 or later.

Prchlik was tried in a military court under the control of the defense establishment which is dominated by the party's dogmatic wing. This group opposes Husak on the issue of political trials. There is no information on the circumstances of the trial, or on why Husak was unable to forestall it as he has done in similar circumstances in the past. The fact that the trial took place at all indicates that Husak will face additional challenges to his authority from the dogmatists.

The conviction is also ominous for other major 1968 reformers, and will spread fear of a return to the terror and purges of the 1950s. Such fears are thus far unsupported by any other evidence. Husak will undoubtedly continue his struggle for personal dominance over the party and for moderation in its political policies.

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FINLAND: [A four-party center-left coalition under the leadership of Akti Karjalainen was formed yesterday.]

Finland was under a caretaker regime beginning on 17 March when the five-party, center-left coalition resigned after the Communists refused to back a government price control proposal. The continued unwillingness of the Communists to modify their stand resulted in their exclusion from negotiations to form a coalition. This turn of events was readily accepted by leaders of the other government parties, who had wearied of Communist obstructionism in the coalition.

The low-key Soviet press comment suggests that Moscow is weighing carefully its own reaction to the events. The Soviets presumably were caught off guard by the collapse of the five-party coalition and may still be trying to determine the alternatives open to them.

Without having to cope with obstructive Communist tactics, the negotiations between the four parties proceeded smoothly, taking less than two days. Even without Communist backing, a new center-left coalition will still enjoy majority backing in parliament. Furthermore, the four parties have long experience in working together and can be expected to use normal democratic means to resolve their differences. This is in sharp contrast to the situation existing during the five-party coalition's period in office when extraordinary intervention by President Kekkonen was often necessary to keep the Communists in line.

Still unclear is the role the Communists envision for themselves outside the government. The past five years of close cooperation between the Social Democratic and Communist parties have worked mainly to the advantage of the Social Democrats. Finnish Communist leaders may now have concluded that the only way to stop their steady political decline will be to pre-empt the more extreme positions taken by Stalinist dissidents within the party.

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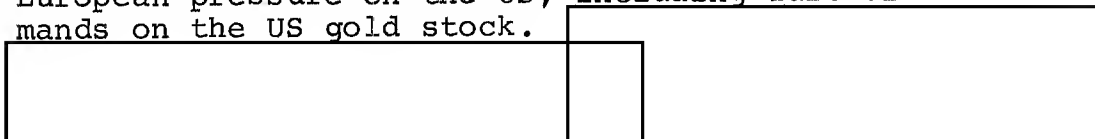
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WESTERN EUROPE: Frictions with the US in the monetary sphere are increasing.

There is growing resentment at continuing large US balance-of-payments deficits, which are forcing European central banks to accumulate billions of unwanted dollars. The immediate concern is over the current massive flow of short-term funds to Europe in response to the reductions in US interest rates.

This has prompted West Germany, which has increased its dollar holdings by \$7 billion in the past 12 months, to exercise an option to repurchase gold from the US Treasury. Under an agreement concluded in 1969, West Germany sold \$500 million of its gold reserves to the US Treasury for needed dollars with the stipulation that this gold could be repurchased when the dollars were no longer needed. Continued dollar inflows will stimulate mounting European pressure on the US, including further demands on the US gold stock.



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ARGENTINA: Domestic reaction to the new government during its organizational phase has been cautiously optimistic.

There is a growing belief in political circles that the junta headed by General Lanusse will return the nation to constitutional processes considerably sooner than the four to five years projected by former president Levingston. The appointment of Arturo Mor Roig as the new interior minister tends to reinforce this belief. Mor Roig, who has already announced the lifting of the ban on political parties imposed in 1966, is known to favor elections in one or two years. The junta apparently hopes that Mor Roig's affiliation with the Hour of the People, a loose grouping of moderate politicians, will enable him to put together a moderate electoral front that the military could support.

There is also optimism that the junta will be able to avoid the confrontation with labor that was shaping up under Levingston. The lifting of the ceiling on wage raises should defuse the situation for the time being, and the new secretary of labor, who worked well with moderate labor leaders in that position under President Ongania, may be able to avoid serious problems in the future.

The swearing in of Lanusse as President last evening gives the army commander the prime responsibility for initiating the return to constitutional government. According to new changes in the 1966 "Statute of the Argentine Revolution," the President will exercise both the executive and legislative functions, obtaining the concurrence of the junta on matters of "special significance." An important check in the new system is the rotation of the presidency among the three services. Lanusse will be succeeded on 1 January 1972 by the air force commander, who will take over as head of the junta and as President.

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USSR: The Soviets announced on 25 March the successful completion of tests of a thermionic installation which converts nuclear energy directly to electrical power. It is not clear from the Soviet announcement what heat source is utilized by the new process, but it probably is a nuclear reactor using thermionic fuel elements. Systems using this process have several potential applications, including future long-duration space operations which require large amounts of power. The Soviets probably have built a prototype capable of producing several kilowatts of electrical power. A future thermionic reactor could produce some 10 to 100 times more power than is generated by the devices presently used on Soviet space vehicles. An operational Soviet thermionic reactor suitable for use in space operations probably will not be ready before the late 1970s.

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FRANCE-ALGERIA: In an effort to reverse deteriorating relations resulting from the impasse between French and Algerian oil companies, Paris has named Quai Secretary General Herve Alphand as representative to the Franco-Algerian negotiations. This decision represents France's willingness to resume serious negotiations by restoring the talks to a government-to-government level as Algiers had officially requested. Algeria's initial response has reportedly been favorable. Alphand was expected to arrive in Algiers yesterday to explore ways of resolving the differences between the two countries.

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KENYA: President Kenyatta has ordered that long-time leftist and former vice president Odinga be released from detention today to avoid building Odinga's image of martyrdom any higher than it is already [REDACTED]

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[REDACTED] Odinga was jailed in October 1969 on charges that he had instigated antigovernment rioting by his fellow Luo tribesmen; the President apparently now believes that Odinga's standing has been greatly enhanced by his imprisonment. For his part, Odinga has promised not to oppose the government. He probably plans, however, to build his political support quietly in hopes that he can make major gains once the unchallengeable but aged Kenyatta leaves the political scene. [REDACTED]

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